



## Making Sense of the Marijuana Stock Armageddon

### Description

In the ailing marijuana industry, the future is not as bright as the earlier projections. Indeed, we're witnessing an Armageddon instead of a deterrent against the black market.

The economic benefits of the legal marijuana market are huge and could be worth US\$57 billion worldwide. After its legalization, however, it became a bloodbath for cannabis companies. Market values have been dropping like crazy since April.

**Hexo** ([TSX:HEXO](#))(NYSE:HEXO), for example, was a high flyer, peaking to \$11.11 to end April. As of this writing, the stock is down to \$3.11 — or a sharp drop of 257%.

**Village Farms** (TSX:VFF)([NASDAQ:VFF](#)) is up 146% year to date, although it was also a victim of the carnage. The stock rose to as high as \$23.34 toward the latter part of March, only to lose steam just the same.

### Beaten down

Many investors bailed out from Hexo because of the terrible losses. The stock rode the marijuana hype and flew high. From a \$2.4 billion market cap in early June, it's down to \$755.56 million this October.

Still, Hexo enjoys the upper hand in the long-term because of the supply agreements with five Canadian provinces. The landmark deal is the five-year contract with Quebec that could translate to over \$1 billion in revenue.

Hexo is also hoping to make a splash in the European continent with its partnership with a prominent cannabis operator in Greece. The partners are building a 350 square feet licensed facility that will serve as the distribution hub of its cannabis-derived products and supply branded product lines to all markets in Europe.

Finally, the partnership with **Molson Coors Brewing** should give Hexo a strong position in Cannabis 2.0, particularly in the cannabis-infused beverage market.

## Slow ascent

While Village Farms is not as beaten down as Hexo, [the struggle continues](#). One thing going for this \$571.7 million cannabis producer is its inclusion in the flagship program known as the [TSX 30](#). The company ranks number three on the list because of its over 868% total return in the last three years.

According to CEO and Founder of Village Farms Michael DeGiglio, the company is leveraging more than three decades as a leader in large-scale, precision agriculture. The goal is to add cannabis and the CBD markets to its legacy produce business.

Village Farms is beginning to realize the value of the significant new growth opportunities in the cannabis space. Management believes the earning potentials in both the near and long-term is incredible. It's anchoring its success on the 50%-owned joint venture with Pure Sunfarms.

The JV is for a large-scale, low-cost, high-quality cannabis production in Canada. Village Farms' has the potential to double capacity with two greenhouses and the option to build a third.

## Preposterous forecasts

Despite the bloodbath, analysts are forecasting the prices of Hexo and Village Farms to climb 302% and 285%, respectively, in the next 12 months.

If you have the stomach for extreme volatility, you can buy into the unbelievable estimates. Otherwise, stay clear of marijuana stocks until the industry stabilizes.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. NASDAQ:VFF (Village Farms International, Inc.)
3. TSX:HEXO (HEXO Corp.)

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